

EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Interim consolidated financial statements
for the financial period
from 1 January 2015 to 30 June 2015
and limited review report



Hazem Hassan

Public Accountants & Consultants

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

Translated from Arabic

Report on limited review of interim consolidated financial statements

To: The members of Board of Directors of El Sewedy Electric Company

Introduction

We have reviewed the accompanying consolidated balance sheet of El Sewedy Electric Company as of 30 June 2015 and the related consolidated statements of income, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

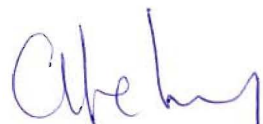
Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of El Sewedy Electric Company as at 30 June 2015, and of its consolidated financial performance and its consolidated cash flows for the six-months then ended in accordance with Egyptian Accounting Standards.

Cairo, 31 August 2015


KPMG Hazem Hassan
Public Accountants and Consultants



EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Consolidated Balance Sheet
As of 30 June 2015

	Note No.	30/06/2015 L.E	31/12/2014 L.E
Assets			
Long term assets			
Fixed assets	(3-3) (6)	2 967 536 199	2 953 930 471
Project under progress	(3-3) (7)	202 981 302	167 870 567
Investments available for sale	(3-5) (8)	10 875 273	10 875 273
Investments in associates	(3-1)	15 873 500	12 840 351
Investment certificates	(9)	20 000 000	20 000 000
Debit balances	(3-4) (10)	4 413 409	54 831 896
Intangible assets	(3-7) (31)	53 903 556	52 975 012
Deferred tax assets	(3-19) (21)	55 128 591	65 554 772
Total long term assets		3 330 711 830	3 338 878 342
Current assets			
Inventories	(3-8) (11)	3 311 233 349	3 343 933 055
Trade, notes and other receivables	(3-4) (12)	9 307 779 941	5 272 376 564
Due from related parties	(29)	506 247 072	358 402 481
Investment fund / treasury bills	(3-6) (13)	663 978 349	318 605 293
Banks and cash in hand	(14)	2 429 589 866	1 279 005 323
Total current assets		16 218 828 577	10 572 322 716
Current liabilities			
Banks facilities and overdraft	(3-12) (15)	3 857 132 592	3 227 734 071
Loans	(3-12) (16)	1 007 739 695	894 637 717
Notes payable due to banks		222 523 675	155 921 516
Trade, notes and other payables	(3-4) (17)	7 173 829 814	2 894 689 425
Due to related parties	(29)	195 780 004	163 193 948
Provisions	(3-11) (18)	357 116 889	310 917 017
Total current liabilities		12 814 122 669	7 647 093 694
Working capital		3 404 705 908	2 925 229 022
Total investment		6 735 417 738	6 264 107 364
These investments to be financed as follows			
Shareholders' Equity			
Issued and paid capital	(19)	2 234 180 000	2 234 180 000
Own shares		(1 422 160)	(1 422 160)
Reserves	(20)	159 708 463	149 535 197
Increase in the net assets of the acquired subsidiaries over the consideration paid for the investment	(3-1)	578 908 660	578 908 660
Retained earnings		2 026 477 759	1 982 749 739
Net profits for the period/year		677 764 332	403 300 490
Foreign exchange translation		(7 675 132)	(33 276 490)
Total parent's shareholders' equity		5 667 941 922	5 313 975 436
Minority interest		536 646 495	420 088 898
Total equity		6 204 588 417	5 734 064 334
Long term liabilities			
Loans	(3-12) (16)	229 289 143	285 199 434
Deferred tax liabilities	(3-19) (21)	264 763 856	203 677 475
Other liabilities	(22)	36 776 322	41 166 121
Total long term liabilities		530 829 321	530 043 030
		6 735 417 738	6 264 107 364

* The accompanying notes are an integral part of these interim consolidated financial statements .

Chief Financial Officer
Mr. Sherif Mohamed Mohamed El Zeiny

Managing Director
Eng. Ahmed Ahmed Sadek

Chairman
Mr. Sadek Ahmed Elsewedy

Limited review report "attached "

EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Consolidated Income Statement
for the financial period from 1 January 2015 to 30 June 2015

		Financial period from 1/4/2015 to 30/6/2015	Financial period from 1/1/2015 to 30/6/2015	Financial period from 1/4/2014 to 30/6/2014 L.E	Financial period from 1/1/2014 to 30/6/2014 L.E
	<u>Note No</u>				
Operational revenues	(3-15)	7 107 217 037	11 087 914 335	4 167 767 378	8 510 668 906
Operational costs	(3-17)	(5 874 058 728)	(9 298 422 905)	(3 483 022 801)	(7 212 543 757)
Gross profits		1 233 158 309	1 789 491 430	684 744 577	1 298 125 149
Other operating income	(24)	140 824 110	173 974 890	23 343 794	48 985 281
Selling and distribution expenses	(3-17)	(99 582 730)	(185 220 891)	(146 296 320)	(264 787 984)
Administrative expenses	(3-17)	(158 678 808)	(287 900 131)	(151 777 771)	(317 170 547)
Other operating expenses	(25)	(331 317 432)	(356 917 840)	(192 946 974)	(338 175 054)
Operating profits		784 403 449	1 133 427 458	217 067 306	426 976 845
Financing income		46 505 936	85 067 736	36 726 246	57 959 504
Profit from early settlement of loans		37 703 312	37 703 312	-	-
Financing costs		(74 700 744)	(133 559 384)	(89 180 949)	(157 030 992)
Net financing income (costs)	(26)	9 508 504	(10 788 336)	(52 454 703)	(99 071 488)
Net profits for the period before tax		793 911 953	1 122 639 122	164 612 603	327 905 357
Current income tax	(3-19)	(207 123 930)	(251 716 708)	(61 989 135)	(99 357 473)
Deferred tax (Expenses) income	(3-19)	(49 412 819)	(65 832 650)	994 888	1 594 995
Net profits for the period after tax		537 375 204	805 089 764	103 618 356	230 142 879
Attributable to :					
Equity holders of the holding company		438 539 629	677 764 332	109 953 269	215 034 749
Minority interest		98 835 575	127 325 432	(6 334 913)	15 108 130
		537 375 204	805 089 764	103 618 356	230 142 879
Earnings per share	(3-20) < (34)	1.96	3.03	0.46	1.03

* The accompanying notes are an integral part of these interim consolidated financial statements.

EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Consolidated Changes in Equity's statement
for the financial period from 1 January 2015 to 30 June 2015

	Issued and paid capital	Own shares	Legal reserve	General reserve	Increase in the net assets of the acquired subsidiaries over the consideration paid for the investment	Retained earnings	Profit attributable to the holding for the period / year	Foreign exchange differences resulted from foreign entities translation	Total parent's shareholders' equity	Minority interest	Total share holders' equity
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Balance as of 31 December 2013	2 234 180 000	(1 422 160)	105 718 467	43 816 730	578 908 660	1 900 996 805	96 501 795	(87 612 698)	4 871 087 599	415 952 466	5 287 040 065
Transferred to retained earning	-	-	-	-	-	96 501 795	(96 501 795)	-	-	-	-
Subsidiaries dividends to minority	-	-	-	-	-	-	-	-	-	(39 892 124)	(39 892 124)
Minority share of subsidiaries capital during the year	-	-	-	-	-	-	-	-	-	8 311 707	8 311 707
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	54 336 208	54 336 208	-	54 336 208
Adjustments to the retained earnings of subsidiaries	-	-	-	-	-	23 494 105	-	-	23 494 105	(6 094 569)	17 399 536
Cash dividends to employee (Profits 2013)	-	-	-	-	-	(38 242 966)	-	-	(38 242 966)	-	(38 242 966)
Net profits for the year	-	-	-	-	-	-	403 300 490	-	403 300 490	41 811 418	445 111 908
Balance as of 31 December 2014	2 234 180 000	(1 422 160)	105 718 467	43 816 730	578 908 660	1 982 749 739	403 300 490	(33 276 490)	5 313 975 436	420 088 898	5 734 064 334
Transferred to retained earnings	-	-	-	-	-	403 300 490	(403 300 490)	-	-	-	-
Transferred to Legal reserve	-	-	10 173 266	-	-	(10 173 266)	-	-	-	-	-
Subsidiaries dividends to minority	-	-	-	-	-	-	-	-	-	(862 375)	(862 375)
Minority share of subsidiaries capital during the period	-	-	-	-	-	-	-	-	-	79 519	79 519
Minority share elimination in subsidiary equity	-	-	-	-	-	-	-	-	-	(5 800 000)	(5 800 000)
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	25 601 358	25 601 358	-	25 601 358
Adjustments to the retained earnings in subsidiaries	-	-	-	-	-	(27 295 433)	-	-	(27 295 433)	(4 184 979)	(31 480 412)
Dividends to shareholders (Profits 2014)	-	-	-	-	-	(223 418 000)	-	-	(223 418 000)	-	(223 418 000)
Dividends to employees (Profits 2014)	-	-	-	-	-	(98 685 771)	-	-	(98 685 771)	-	(98 685 771)
Net profits for the period	-	-	-	-	-	-	677 764 332	-	677 764 332	127 325 432	805 089 764
Balance as of 30 June 2015	2 234 180 000	(1 422 160)	115 891 733	43 816 730	578 908 660	2 026 477 759	677 764 332	(7 675 132)	5 667 941 922	536 646 495	6 204 588 417
Balance as of 31 December 2013	2 234 180 000	(1 422 160)	105 718 467	43 816 730	578 908 660	1 900 996 805	96 501 795	(87 612 698)	4 871 087 599	415 952 466	5 287 040 065
Transferred to retained earnings	-	-	-	-	-	96 501 795	(96 501 795)	-	-	-	-
Subsidiaries dividends to minority	-	-	-	-	-	-	-	-	-	(4 115 133)	(4 115 133)
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	63 911 027	63 911 027	-	63 911 027
Minority share of subsidiaries capital during the Period	-	-	-	-	-	-	-	-	-	875 000	875 000
Adjustments to the retained earnings in subsidiaries	-	-	-	-	-	(9 447 364)	-	-	(9 447 364)	(30 375)	(9 477 739)
Dividends to employees in subsidiaries	-	-	-	-	-	(14 707 092)	-	-	(14 707 092)	-	(14 707 092)
Net profits for the period from 1 January to 30 June 2014	-	-	-	-	-	-	215 034 749	-	215 034 749	15 108 130	230 142 879
Balance as of 30 June 2014	2 234 180 000	(1 422 160)	105 718 467	43 816 730	578 908 660	1 973 344 144	215 034 749	(23 701 671)	5 125 878 919	427 790 088	5 553 669 007

* The accompanying notes are an integral part of these interim consolidated financial statements.

El Sewedy Electric Company
(An Egyptian Joint Stock Company)
Consolidated Cash Flows Statement
for the financial period from 1 January 2015 to 30 June 2015

	Financial period from 1/1/2015 to 30/6/2015 <u>L.E</u>	Financial period from 1/1/2014 to 30/6/2014 <u>L.E</u>
Cash flows from operating activities:		
Net profits for the Period before tax	1 122 639 122	327 905 357
Adjustments :-		
Depreciation	173 882 388	178 696 198
Amortization	6 042 022	4 231 257
Impairment of goodwill and fixed assets	-	193 912 828
Provisions and receivable impairment	193 274 473	112 749 657
Net financing cost	(10 788 336)	99 071 488
Capital gain	(10 566 788)	(1 032 574)
Gain from investment sale from subsidiary	(2 111 674)	-
Investment losses in associate	-	25 012
Operating profit before changes in working capital	1 472 371 207	915 559 223
Change in trade, notes and other receivables	(4 154 993 251)	(436 899 202)
Change in inventories	33 068 757	(266 514 491)
Change in related parties	(115 258 535)	(137 767 101)
Change in trade, notes and other payables	3 736 067 432	513 768 876
Net cash provided by operating activities	971 255 610	588 147 305
Cash flows from investing activities		
Acquisition of fixed assets and project under progress	(208 275 906)	(54 715 047)
Payments for the acquisition of intangible assets	(11 873 186)	(11 939 404)
Change in payment under investment in subsidiaries	(3 033 149)	(609 072)
Proceeds from selling fixed assets and projects under progress	11 717 916	9 135 146
Net(payments) for purchasing treasury bills and investment fund	(345 373 056)	(79 258 449)
Net cash flows (used in) investing activities	(556 837 381)	(137 386 826)
Cash flows from financing activities		
Dividends paid to minority from subsidiaries	(862 371)	(4 115 133)
Proceeds from Minority share in subsidiaries capital	79 519	875 000
Proceeds (payments) of loans, bank facilities and overdraft	737 502 569	(110 584 596)
Net cash flows provided by (used in) financing activities	736 719 717	(113 824 729)
Net change in cash and banks	1 151 137 946	336 935 750
Cash and banks at the beginning of the period	1 279 005 323	1 346 173 871
MTOI cash balance at selling date	(553 403)	-
Cash and banks at the end of the period	2 429 589 866	1 683 109 621
Restricted cash	-	(15 691 797)
Net cash and cash equivalents at the end of the period	2 429 589 866	1 667 417 824

* The accompanying notes are an integral part of these interim consolidated financial statements.

EL Sewedy Electric Company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

1. Company background

El Sewedy Electric company "previously El Sewedy Cables" is an Egyptian Joint Stock Company, established under the Investment Incentives and Guarantees Law No. 8 of 1997 and was registered in the commercial registration under No. 14584 on 1 June 2005.

The Company's Extra-ordinary General Assembly held on 19/4/2010 decided to change the company name from "EL Sewedy Cables" to "EL Sewedy Electric". This change was authenticated in the company commercial register on 4/10/2010. The company has obtained the approval for the change of its name from Misr for Central Clearing, Depository and Registry Company on 31/10/2010, and changed the name in the Egyptian Stock Exchange on 3/11/2010.

The Company's purpose is to establish and operates a production facility for power cables, transformers, terminators, joint accessories, copper and aluminum terminators either coated or not coated production. In addition to designing, building, managing, operating and maintaining power generation units and power nets. The duration of the company is 25 years from 1/6/2005 (the date of its registration in the commercial register).

The consolidated financial statement includes the holding company and its subsidiaries "The group".

2. Basis of preparation
Statement of compliance

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and the Egyptian laws and regulations.

The consolidated financial statements were approved by the Board of Directors on 31 August 2015.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial derivatives measured at fair value and available for sale investments. The methods used to measure fair values are discussed further in note No. 35 below.

Functional and presentation currency

These consolidated financial statements are presented in Egyptian Pound, which is the company's functional currency.

Use of estimates and judgments

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

Note (6) – Fixed assets
Note (18) – Provisions
Note (21) – Deferred taxes
Note (23) – Contract revenues
Note (31) – Intangible assets
Note (32) – Shares based payment
Note (35) – Measurement of financial instruments

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by Group entities.

3-1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholders that controls the group are accounted for as of the acquisition date. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the group equity and any gain/ loss arising is recognized directly in equity.

Loss of control

Upon loss of control, the group derecognizes the assets and liabilities of the subsidiary, any minority interests and other components of equity related to the subsidiary. Any surplus or deficit is recognized in profit or loss. If the group retains any interest in the previous subsidiary it's accounted for subsequently as an equity investee or an available for sale financial asset depending on the level of influence retained.

Investment in associates and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint controlled are those entities over whose activities the Group has joint control. Investment in associates is initially recorded at cost, using equity method to account for this investment.

Transactions eliminated on consolidation

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

3-2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the consolidated profit or loss.

Assets and liabilities of the non-cash nature are translated using the exchange rate prevailing at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations are translated to Egyptian Pound at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Egyptian Pound at exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognised in a separate item under the equity in the consolidated balance sheet.

3-3 Fixed assets

Recognition & measurement

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labor, any others costs directly attributable to bringing the asset to a working conditions for its intended use. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated profit or loss as incurred.

Project under progress

Project under progress are added to fixed assets and depreciated when it become ready for its intended use.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative years are as follows:

Buildings	8 -50 years
Machinery and equipment	5-10 years
Furniture	4 -17 years
Vehicles	5-8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

Capital lease

Rental expenses of capital lease in-addition to the operating costs such as maintenance and repair of the leased assets are charged to the income statement on a straight – line basis over the period of lease. In case of purchasing the leased assets at the end of the contract using the contract bargain purchase option, these assets should be recorded as fixed assets with the bargain option amount agreed in the lease contract, and are depreciated over the remaining estimated useful life according to the applied depreciation policy.

3-4 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The financial assets and liabilities are recognised in the balance sheet when the company and its subsidiaries become side in the financial instruments agreement. The initial recognition with the financial instruments according to its fair value.

Cash and cash equivalents comprise cash balances and call deposits for a period more than three months which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Derivative financial instruments

The Group doesn't hold derivative financial instruments for speculative purposes. The hedged instrument is recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

3-5 Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value (if quoted) and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to income statement. Investments which are not listed at stock exchanges are measured at historical value after reducing any impairment losses.

3-6 Investment in funds and treasury bills

3-6-1 Investment in funds

Investments in funds are recorded according to its latest announced recoverable value.

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

3-6-2 Investment in treasury bills

Treasury bills are stated at the balance sheet at its nominal value after deducting the balance of interest not due. There is no losses from the impairment of the value of these bills because its is governmental bills and can be sold at the Central Bank of Egypt adjustment rate.

3-7 Other assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquirer. When the excess is negative, it is recognized immediately in profit or loss.

Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in the profit and loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful life is as follows:

- Patents 20 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3-8 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business minus the estimated cost for completion and any selling costs. Net realizable value of the quantity of inventory held to satisfy firm sales is based on the contract price. If the sales are for less than the inventory quantities held, the net realizable value of the excess is based on general selling price. Provisions arise from firm sales contracts in excess of inventory quantities held or from firm purchase contracts.

Cost of raw materials is determined using the weighted average method. In case of finished goods and work in process, cost includes direct material and direct labor cost and an appropriate share of production cost.

3-9 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use .

Immediately before classification as held for sale, the assets or components of a disposal group, are premeasured in accordance with the group's other accounting policies. Impairment losses on initial classifications as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held for sale, intangibles assets and property plant and equipment are no longer amortized or depreciated, and any equity accounted investee is no longer equity accounted .

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

3-10 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity, to profit and loss.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in profit or loss. Financial assets that are not individually significant are collectively assessed for impairment by grouping them together according to their similar risk characteristics

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non-financial assets

The carrying amounts of the Group's non-financial assets, (other than inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3-11 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the liability can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market adjustments of the time value of money and the risks specific to the liability. The provisions are reviewed at each balance sheet date and amended, (when necessary), to represent the best current estimate.

3-12 Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value been recognized over the period of borrowing on an effective interest basis.

Interest and commissions on credit facilities and loans that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

those assets till the date of availability for use. All borrowing costs that do not meet the capitalization criteria are recognized as expense in the consolidated income statement as incurred.

3-13 Dividends

Dividends are recognized as a liability in the financial period in which the dividends are approved by the shareholders general meeting.

3-14 Own shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Gain or losses arising from sale of own shares are included in equity in the consolidated financial statements.

3-15 Recognition of revenue

Sales revenue

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Risk and rewards of ownership are transferred when goods are received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier.

Revenue of construction contracts

Revenues from construction contracts are recognized using the percentage-of-completion method. The percentage-of-completion is measured by correlating costs incurred to date to estimated total costs for each contract.

Contract costs include all direct material, equipment, labor, subcontract and those indirect costs related to contract performance, such as indirect labor and maintenance costs. General and administrative costs allocable to particular contracts are charged to contract costs. All other general and administrative costs are charged to expense as incurred. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the facts requiring such revisions become known.

Provision for estimated losses including allocable general and administrative expenses on uncompleted contracts is made in the period in which such losses are determined. Claims for additional contract revenue are recognized when realization is assured and the amount can be reasonably determined.

Investment income

Income from available-for-sale investments are recognized when the Group's right to the income is established.

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

Credit interest

Credit interest is recognized in the income statements according to the effective interest rate method.

3-16 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

3-17 Expenses

Operating expenses, selling and distribution, general administrative expenses and other expenses are recognized using the accrual basis of accounting and as such are recognized in the income statement as incurred.

3-18 Employees benefits

Social Insurance Scheme

The Group contributes in the governmental social insurance system for the benefits of its employees according to the social insurance Law No. 79 of 1975 and its amendments. The Group's contributions are recognized in income statement using the accrual basis of accounting. The Group's obligation in respect of employees' pensions is confined to the amount of the aforementioned contributions.

Share based payments

The fair value of options granted to employees is recognized as expense, with a corresponding increase in equity over the period that the employees becomes unconditionally entitled to the options. Any changes in fair value is recognized as employees' salaries in the consolidated income statement.

3-19 Income tax

Income tax in the parent and its subsidiaries' includes income tax for the current period and the deferred tax. Income tax is recognized in the consolidated income statement except for the income tax related to the equity items which are stated directly in the equity in the consolidated financial statements.

Income tax is recognized on net taxable income using tax rates enacted at the consolidated financial statements date and in addition to any tax differences related to the previous years.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

3-20 Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

4. Fair Value

A number of the group accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following methods :-

Fixed assets

The fair value of the fixed assets recognised as a result of a business combination is based on market values. The market value of fixed assets is the estimated amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories

Intangible assets

The fair value of patents acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trade mark being owed.

Investments in equity instrument

Fair values are based on quoted market for listed available for sale securities at the consolidated balance sheet date except for the unquoted equity security to be valued by using discounted cash flows method.

Receivables

The fair value receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting period

5. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investment securities.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of group entities, primarily the euro and U.S. Dollars.

Interest rate risk

All the group investments and borrowing are based on Libor rates or Egypt Central Bank rates plus a fixed percentage to reduce risk.

Translated from Arabic

El Sewedy Electric Company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

6 Fixed Assets

	Land	Buildings	Machineries & equipments	Furniture & office supplies	Vehicles	leasehold improvements	Total
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
<u>Cost</u>							
Balance as of 1/1/2015	382 520 874	1 382 104 261	2 479 612 460	106 914 514	149 545 048	39 107 412	4 539 804 569
Additions during the period	-	2 309 271	77 326 393	17 134 805	23 147 602	1 735 842	121 653 913
Transferred from project under progress	-	2 302 660	43 967 433	765 579	6 779 782	-	53 815 454
Disposals during the period	-	(374 828)	(11 314 565)	(667 750)	(2 139 646)	-	(14 496 789)
Reclassification	(3 125 162)	-	-	-	-	-	(3 125 162)
Adjustment and translation differences	(646 946)	10 026 466	22 863 662	(4 596 187)	1 185 523	(262 540)	28 569 978
Cost as of 30/6/2015	378 748 766	1 396 367 830	2 612 455 383	119 550 961	178 518 309	40 580 714	4 726 221 963
<u>Depreciation</u>							
Accumulated depreciation as of 1/1/2015	-	280 518 830	1 094 490 797	79 240 068	98 331 750	33 292 653	1 585 874 098
Depreciation	-	25 924 362	128 734 547	7 622 528	10 685 634	915 317	173 882 388
Accumulated depreciation of disposal	-	-	(10 425 236)	(529 015)	(2 391 409)	-	(13 345 660)
Adjustments and translation difference	-	1 217 823	10 271 526	623 243	295 757	(133 411)	12 274 938
Accumulated depreciation as of 30/6/2015	-	307 661 015	1 223 071 634	86 956 824	106 921 732	34 074 559	1 758 685 764
Net carrying amount as of 30/6/2015	378 748 766	1 088 706 815	1 389 383 749	32 594 137	71 596 577	6 506 155	2 967 536 199
Net carrying amount as of 31/12/2014	382 520 874	1 101 585 431	1 385 121 663	27 674 446	51 213 298	5 814 759	2 953 930 471

EL Sewedy Electric company**Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015****7. Projects under progress**

Projects under progress as of 30 June 2015 represent the company's new projects and expansions in existing plants in Saudi Arabia, Algeria and Sudan of L.E 64 million, transformer plant additions in Egypt of L.E 5 million, fiber optics and special cables of L.E 17 million, machineries and equipment under progress for subsidiaries expansions in Egypt of L.E 113 million and the remaining balance represents the expansions cost to increase the production capacity in Egypt and other countries in which the company operates.

8. Investments available for sale

	30/6/2015 <u>L.E</u>	31/12/2014 <u>L.E</u>
(1 000 000 shares represent 10% of Kahromica Company's share capital- An Egyptian Joint Stock Company)	10 000 000	10 000 000
(300 shares represent 3% of 3W network share capital- An Egyptian Joint Stock Company)	32 760	32 760
156 250 shares of El Moasher company in Sudan.	842 513	842 513
	<u>10 875 273</u>	<u>10 875 273</u>

9. Investments in investment certificates

	30/6/2015 <u>L.E</u>	31/12/2014 <u>L.E</u>
Investment in Suez canal bank for Suez canal investment certificates with annual return 12% - 5 years	20 000 000	20 000 000
	<u>20 000 000</u>	<u>20 000 000</u>

10. Other Long Term receivables

	30/6/2015 <u>L.E</u>	31/12/2014 <u>L.E</u>
Due from clients (construction)	4 413 409	54 831 896
	<u>4 413 409</u>	<u>54 831 896</u>

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

11. Inventories

	30/6/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Raw materials and consumables	1 035 671 103	1 449 396 115
Spare parts	97 385 216	115 633 840
Work in progress	426 198 759	343 745 906
Finished goods	1 273 603 024	1 111 434 389
Goods in transit	478 375 247	323 722 805
	<u>3 311 233 349</u>	<u>3 343 933 055</u>

Some of inventories items are recorded according to its net realizable value. The difference between the book value of these items and its net realizable value is L.E 115 817 799 at 30 June 2015. (L.E 109 177 048 at 31 December 2014).

12. Trade, notes and other receivables

	30/6/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Trade receivables	3 751 972 110	2 903 746 763
Notes receivables	777 456 472	578 778 126
Due from clients (construction)	3 411 087 126	729 172 678
Other receivables	1 367 264 233	1 060 678 997
	<u>9 307 779 941</u>	<u>5 272 376 564</u>

Other receivables are recorded after deducting impairment losses of L.E 470 908 442 at 30 June 2015. (L.E 469 905 211 at 31 December 2014)

Other receivables include advance payments to suppliers of L.E 445 million, LC's and LG's margin and deposits to other of L.E 178 million, sales tax of L.E 69 million, accrued revenue of L.E 22 million, retention receivable of L.E 247 million, prepaid expenses of L.E 25 million, employees dividends of L.E 14 million, advance payments under corporate income tax of L.E 51 million and withholding tax of L.E 31 million and employee custody and loans of L.E 42 million.

13. Investment fund / treasury bills

	30/6/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Investment funds / treasury bills	663 978 349	318 605 293
	<u>663 978 349</u>	<u>318 605 293</u>

-This item includes investment in funds of L.E 10 478 760 at 30 June 2015 (L.E. 540 505 at 31 December 2014). The returns on these investment recorded in the consolidated income statement L.E 309 753 for six months ended 30 June 2015 (L.E.21 291 as of 30 June 2014).

-The accrued interest on investments amounted to L.E 46.6 million at 30 June 2015 (L.E 11.3 at 30 June 2014).The interest rate range is between 7 % and 13.94%

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

14. Banks and cash in hand

	30/6/2015 <u>L.E</u>	31/12/2014 <u>L.E</u>
Banks - time deposits (*)	451 193 856	367 020 078
Banks - current accounts (**)	1 953 996 000	907 456 094
Cash in hand	24 400 010	4 529 151
	<u>2 429 589 866</u>	<u>1 279 005 323</u>

(*)Time deposits include L.E 6 743 992 at 30 June 2015 blocked as a security for credit facilities, letters of guarantee and letters of credit (L.E 6 918 321 at 31 December 2014).

(**)Current accounts include "Nil" at 30 June 2015 blocked as a security for credit facilities (L.E 3 268 936 at 31 December 2014).

15. Banks credit facilities and overdraft

Credit facilities and overdraft of L.E 3 857 132 592 at 30 June 2015 (L.E 3 227 734 071 at 31 December 2014) secured by promissory notes, current accounts and joint guarantees. The average interest rate is annually 11.06 % or the Central Bank of Egypt borrowing and lending rate for the Egyptian Pound plus 1.43% for Egyptian pound facilities, 1.83 % over Libor and 0.1 % monthly commission on the highest debit balance for US Dollar and 1.83 % over Eurobor for the Euro facilities .

16. Loans

Short and long term loans granted to the company and its subsidiaries classified as follows:-

	30/6/2015 <u>L.E</u>	31/12/2014 <u>L.E</u>
<u>Current liabilities</u>		
Short term Loans due within one year	1 007 739 695	894 637 717
	<u>1 007 739 695</u>	<u>894 637 717</u>
<u>Long-term liabilities</u>		
Secured bank loans	168 790 085	253 114 982
Unsecured bank loans	60 499 058	32 084 452
	<u>229 289 143</u>	<u>285 199 434</u>

Unsecured short term loans amounted to L.E 7 830 919 at 30 June 2015 (L.E 8 052 624 at 31 December 2014)

The average interest rate for loans and credit facilities is 10.5% for the Egyptian pounds and 1.5% over Libor for the US Dollars.

Loans granted to the company and its subsidiaries are secured by promissory notes from subsidiaries approximately of L.E 617 million, USD 470 million, DZD 6.6 million and joint guarantees of L.E 2 229 million and mortgaged machineries, equipment and vehicles of Sudanese pound 13 million.

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

17. Trade, notes and other payables

	30/6/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Trade and notes payables	2 395 233 808	1 157 426 055
Other credit balances and accrued expenses	4 778 596 006	1 737 263 370
	<u>7 173 829 814</u>	<u>2 894 689 425</u>

18. Provisions

	30/6/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Balance as at 1/1	310 917 017	219 829 699
Formed during the period	105 150 947	167 402 900
Used during the period	(24 398 111)	(23 575 767)
Provisions no longer required	(19 693 614)	(42 677 720)
Translation differences and adjustments	(14 859 350)	(10 062 095)
	<u>357 116 889</u>	<u>310 917 017</u>

19. Share Capital**Authorized share capital**

The Company's authorized share capital is L.E. 5 billion.

Issued and paid in share capital

The issued and fully paid-in share capital of the Company is amounted to L.E 2 234 180 000 divided over 223 418 000 share with par value L.E 10 each.

20. Reserves

	30/6/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Legal reserve	115 891 733	105 718 467
General reserve	43 816 730	43 816 730
	<u>159 708 463</u>	<u>149 535 197</u>

Legal reserve

According to the Companies Law and the statutes of the Company, 5% of the annual net profit is set aside to form a legal reserve. The transfer to legal reserve cease once the reserve reach 20% of the issued share capital. The reserve is not distributable, however, it can be used to increase the share capital or offset losses. If the reserve falls below the defined level, then the Company is required to resume setting aside 5% of the annual profit until it reaches 20% of the issued share capital again.

General reserve

The general reserve amounted to L.E 43 816 730 represents realized gain from sale of 2.5 million own shares at 3/6/2007.

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

21. Deferred Tax

	30/6/2015 <u>L.E</u>	31/12/2014 <u>L.E</u>
Deferred tax assets	55 128 591	65 554 772
Deferred tax liability	<u>(264 763 856)</u>	<u>(203 677 475)</u>
Unrecognized deferred tax asset		
	30/6/2015 <u>L.E</u>	31/12/2014 <u>L.E</u>
Clients and debtors	141 222 533	140 921 563
Provisions	107 085 067	93 225 105
	<u>248 307 600</u>	<u>234 146 668</u>

Deferred tax assets relating to these items have not been recognized because the necessary conditions for the reversal of the temporary differences have not been met.

22. Other liabilities – Long term

	30/6/2015 <u>L.E</u>	31/12/2014 <u>L.E</u>
Other creditors*	36 776 322	41 166 121
	<u>36 776 322</u>	<u>41 166 121</u>

*This item includes an amount of L.E 23 million represents a long term portion of creditors for acquisition of land for the purpose of establishing projects.

23. Segment reporting

Segment information is presented in respect of the group's business and geographical segments. The primary format, business segments, is based on the group's management and internal reporting structure. Segment results include items directly attributable to each segment as well as those that can be allocated on a reasonable basis.

EL SEWEDY ELECTRIC COMPANY

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

Translated from Arabic

Primary Reporting Format – Business Segments - 30 June 2015

The revenue analysis in the table below is based on the type of business activities at 30 June 2015

	Power and Special Cables		Turn Key	Electric Products and Accessories		Elimination	Consolidated
	Egypt	International	projects	Egypt	International		30/06/2015
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Local Sales	1 904 610 782	2 387 606 395	3 619 493 439	202 137 335	259 249 235	-	8 373 097 186
Export Sales and construction revenues	1 852 946 187	17 274 202	620 793 712	72 040 711	151 762 337	-	2 714 817 149
Total revenue without inter segment sales	3 757 556 969	2 404 880 597	4 240 287 151	274 178 046	411 011 572	-	11 087 914 335
Inter segment revenues	3 330 528 137	279 236 005	107 592 078	224 196 720	3 316 567	3 944 869 507	-
Total revenue	7 088 085 106	2 684 116 602	4 347 879 229	498 374 766	414 328 139	3 944 869 507	11 087 914 335
Total Cost	(6 507 319 751)	(2 455 160 027)	(3 628 641 456)	(352 090 717)	(300 080 461)	3 944 869 507	(9 298 422 905)
Gross Profit	580 765 355	228 956 575	719 237 773	146 284 049	114 247 678	-	1 789 491 430
Total selling & marketing expenses	(95 161 231)	(33 739 422)	(2 705 076)	(22 854 120)	(30 761 042)	-	(185 220 891)
Segment profit	485 604 124	195 217 153	716 532 697	123 429 929	83 486 636	-	1 604 270 539
Other operating income							173 974 890
General and Administrative expenses							(287 900 131)
Other operating expenses							(356 917 840)
Net financing costs							(10 788 336)
Current income tax							(251 716 708)
Deferred income tax expense							(65 832 650)
Net profit for the period							<u>805 089 764</u>
Depreciation	55 998 589	66 182 011	13 621 344	19 887 670	16 641 330	<u>Unallocated</u> 1 551 444	173 882 388
Assets	5 111 212 899	4 049 377 795	5 126 752 556	1 071 878 736	1 399 261 787	2 791 056 634	19 549 540 407
Liabilities	(1 331 617 320)	(819 931 791)	(4 868 181 631)	(80 267 315)	(270 338 632)	(5 974 615 301)	(13 344 951 990)
Additions to fixed assets and project under progress	64 971 928	47 047 300	76 941 748	5 815 974	10 956 264	2 542 692	208 275 906

EL SEWEDY ELECTRIC COMPANY

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

Translated from Arabic

Secondary Reporting Format - Geographical segments by location - 30 June 2015

Revenues according to geographical segment is as follows:

	Egypt	Sudan	Qatar	Ghana	Iraq	Slovenia	Saudi Arabia	Algeria	Ethiopia	Zambia	Spain	Others	Elimination	Total 30/06/2015
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Revenues	11 712 596 698	197 334 482	889 305 822	1 519 389	105 840	263 916 742	931 358 213	639 946 376	106 801 931	63 766 460	301 491	225 830 398	(3 944 869 507)	11 087 914 335
Assets	13 802 068 508	321 480 936	980 830 497	4 474 120	33 337 812	705 119 337	1 371 204 628	1 125 271 915	203 882 207	213 707 937	15 411 869	772 750 641		19 549 540 407
Liabilities	(12 099 494 095)	(64 610 228)	(294 692 870)	(742 953)	(1 624 786)	(190 385 140)	(254 656 627)	(177 689 317)	(14 653 399)	(7 543 524)	(6 280 250)	(232 578 801)		(13 344 951 990)
Additions of fixed assets and projects under progress	149 890 505	9 113 144	3 340 237	-	-	4 632 754	15 679 479	24 848 632	118 009	170 667	-	482 479		208 275 906

EL SEWEDY ELECTRIC COMPANY
Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015
Translated from Arabic
Primary Reporting Format – Business Segments - 30 June 2014

The revenue analysis in the table below is based on the type of business activities at 30 June 2014

	Power and Special Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated 30/06/2014
	Egypt L.E	International L.E	L.E	Egypt L.E	International L.E	L.E	L.E
Local Sales	1 694 753 916	2 318 093 769	398 108 463	248 005 337	235 714 679		4 894 676 164
Export Sales and construction revenues	2 623 476 832	27 657 235	610 196 610	121 350 008	233 312 057		3 615 992 742
Total revenue without inter segment sales	4 318 230 748	2 345 751 004	1 008 305 073	369 355 345	469 026 736	-	8 510 668 906
Inter segment revenues	3 429 761 784	248 413 649	263 438 717	120 455 041	54 263 813	4 116 333 004	-
Total revenue	7 747 992 532	2 594 164 653	1 271 743 790	489 810 386	523 290 549	4 116 333 004	8 510 668 906
Total Cost	(7 057 635 499)	(2 352 936 314)	(1 131 031 920)	(380 569 228)	(406 703 800)	4 116 333 004	(7 212 543 757)
Gross Profit	690 357 033	241 228 339	140 711 870	109 241 158	116 586 749	-	1 298 125 149
Total selling & marketing expenses	(177 339 247)	(23 188 984)	(8 448 208)	(20 217 233)	(35 594 312)		(264 787 984)
Segment profit	513 017 786	218 039 355	132 263 662	89 023 925	80 992 437	-	1 033 337 165
Other operating income							48 985 281
General and Administrative expenses							(317 170 547)
Other operating expenses							(338 175 054)
Net financing costs							(99 071 488)
Current income tax							(99 357 473)
Deferred income tax expense							1 594 995
Net profit for the period							230 142 879
Depreciation	56 973 127	65 421 936	11 146 285	19 142 265	18 258 206	<u>Unallocated</u> 7 754 379	178 696 198
Assets	5 147 239 610	3 583 146 738	1 609 970 076	1 077 338 978	1 725 547 653	2 099 238 675	15 242 481 730
Liabilities	(1 103 290 143)	(1 020 392 443)	(1 588 167 112)	(145 718 416)	(284 641 535)	(5 546 603 074)	(9 688 812 723)
Additions to fixed assets and project under progress	25 744 323	41 004 528	17 539 650	4 089 500	7 864 764	646 825	96 889 590

EL SEWEDY ELECTRIC COMPANY

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

Translated from Arabic

Secondary Reporting Format - Geographical segments by location - 30 June 2014

Revenues according to geographical segment is as follows:

	Egypt	Sudan	Qatar	Ghana	Iraq	Slovenia	Saudi Arabia	Algeria	Ethiopia	Zambia	Spain	Others	Elimination	Total 30/06/2014
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Revenues	9 397 113 915	177 014 621	583 403 093	-	42 618 821	339 252 757	1 009 273 014	789 147 751	61 056 899	93 483 640	35 152 235	99 485 164	(4 116 333 004)	8 510 668 906
Assets	9 722 209 064	266 093 056	717 570 744	5 777 952	58 541 204	755 634 832	1 303 582 393	1 034 475 537	156 219 254	155 815 880	343 570 640	722 991 174		15 242 481 730
Liabilities	(8 277 178 158)	(140 917 242)	(223 977 623)	(195 316)	(273 436)	(200 804 335)	(239 390 826)	(317 467 063)	(7 824 905)	(23 801 269)	(22 164 926)	(234 817 624)		(9 688 812 723)
Additions of fixed assets and projects under construction	47 915 560	2 646 217	1 417 889	-	1 557 488	5 458 350	2 700 552	31 925 145	2 065 478	152 255	776 120	274 536		96 889 590

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

24. Other operating income

	from 1/4/2015 to 30/6/2015	from 1/1/2015 to 30/6/2015	from 1/4/2014 to 30/6/2014	from 1/1/2014 to 30/6/2014
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Provisions no longer required	19 674 818	19 693 614	3 901	12 680
Capital gain	8 660 415	10 566 788	396 808	1 032 574
Reverse of receivable impairment	741 171	953 835	(38 931)	3 475 507
Reverse of impairment of subsidiary's assets	40 297 936	40 297 936	-	-
Others	71 449 770	102 462 717	22 982 016	44 464 520
	<u>140 824 110</u>	<u>173 974 890</u>	<u>23 343 794</u>	<u>48 985 281</u>

25. Other operating expenses

	from 1/4/2015 to 30/6/2015	from 1/1/2015 to 30/6/2015	from 1/4/2014 to 30/6/2015	from 1/1/2014 to 30/6/2014
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Provisions	104 241 897	105 150 947	(20 316 127)	18 031 602
Impairment of receivables	204 961 638	213 355 686	91 484 134	112 749 657
Amortization	2 790 932	6 042 022	2 094 666	4 231 257
Impairment of goodwill and fixed assets	-	-	114 756 639	193 912 828
Investment loss in associate	-	-	25 012	25 012
Others	19 322 965	32 369 185	4 902 650	9 224 698
	<u>331 317 432</u>	<u>356 917 840</u>	<u>192 946 974</u>	<u>338 175 054</u>

26. Net financing Income (cost)

	from 1/4/2015 to 30/6/2015	from 1/1/2015 to 30/6/2015	from 1/4/2014 to 30/6/2015	from 1/1/2014 to 30/6/2014
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Finance income				
Interest income	27 538 659	38 426 000	7 782 705	12 505 587
Treasury bills and investment fund income	18 967 277	46 641 736	6 999 025	11 282 961
Foreign exchange gain	-	-	21 944 516	34 170 956
	<u>46 505 936</u>	<u>85 067 736</u>	<u>36 726 246</u>	<u>57 959 504</u>
Gain from early settlement of loans	37 703 312	37 703 312	-	-
Finance expense				
Interest expense and finance charges	(57 201 592)	(129 981 564)	(89 180 949)	(157 030 992)
Foreign exchange loss	(17 499 152)	(3 577 820)	-	-
	<u>(74 700 744)</u>	<u>(133 559 384)</u>	<u>(89 180 949)</u>	<u>(157 030 992)</u>
Net financing Income (cost)	<u>9 508 504</u>	<u>(10 788 336)</u>	<u>(52 454 703)</u>	<u>(99 071 488)</u>

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

27. Capital commitments

The Group's capital commitment as at 30 June 2015 is L.E. 95 million (L.E 117 million at 31 December 2014). The commitments are expected to be settled in the next financial year.

28. Contingencies

	30/6/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Uncovered portion of letters of guarantees and letter of credits	6 214 903 783	4 861 420 482

Litigation and claims

- One of company subsidiaries owns a land for an amount of L.E 96.3 million that was fully paid to the seller. The subsidiary filed a lawsuit against the seller claiming the transfer of the land ownership specially the full value of the land was paid by the subsidiary. The seller also filed a suit against the company claiming return of land plus a compensation of L.E 30 million. The company management believes that the court decision will be in favor of the subsidiary specially that the Suez governorate approved the contract of sale of land and issued project license.

- The Byblos Bank of Syria claimed in the preliminary court of Damascus to seizure reserve in favor of the bank for the movables and non-movables of ElSewedy Cables (Syria) and El Sewedy Electric (Syria) to ensure the fulfillment of the loan owed to the bank amounted to Lira 267.7 million (equivalent to L.E 12.8 million), Euro 4.18 million (equivalent to L.E 40.3 million) and USD 430 (equivalent to L.E 3 001), currently the company settles debts with the banks. The group formed the necessary provisions for its investments in Syria.

Also, the group recorded impairment for investments in Yemen and Nigeria till this date.

29. Related parties

Related parties are represented in the Company's shareholders and the companies in which the shareholders own directly or indirectly shares that give them the ability to control or significantly influence these companies. The main transactions with the related parties are sale of finished products. The total value of sales to the affiliates during the period is L.E 1 142 million as of 30 June 2015 (L.E 575 million as of 30 June 2014).

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

	30/6/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Stated under current assets		
“Due from related parties”		
El Sewedy for Tools & Cables	84 341 305	47 731 186
Iskra Sarajevo	21 644 128	18 507 284
Iskra Malaysia	574 725	548 236
Investment Holding Group – Qatar	143 442 719	151 546 997
Aamal Holding Group Co-Qatar	4 938 689	6 986 875
3W Networks Egypt	2 424 115	2 274 751
National Electricity Authority - Sudan	14 489 772	12 917 988
Ola for Real Estate Development – Saudi Arabia	11 996 105	11 527 379
3W Networks - Qatar	4 042 769	3 809 532
United for Transformers limited- KSA	-	5 637 195
Trelco Limited – Qatar	221 696	348 590
Aiash – Yemen	404 763	404 763
Engineering and Construction Industries – SIAC	22 524 509	16 013 269
Elsewedy electric for Trading	11 208	3 238 137
Saudi Company for Construction Industries	7 980 209	5 445 822
Zesco limited company	39 262 095	21 728 166
El Sewedy Emirates (UAE)	104 690 480	31 476 670
Consolidated suppliers	1 678 632	-
Shareholders current account	2 986 542	197 692
Others	38 592 611	18 061 949
	<u>506 247 072</u>	<u>358 402 481</u>

	30/6/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Stated under current liabilities		
“Due to related parties”		
Maali Holding	29 119 745	26 961 258
Misr for Mechanical and Electrical Projects – Kahromika	10 201 042	9 613 623
Arab Steel Fabrication Co.	98 926	157 336
Thomas and Peets	-	5 442 229
Trelco limited-Qatar	1 605 876	1 587 016
Qatar for Investment Group	19 614 544	11 047 438
Aamal Holding Group Co-Qatar	31 922 341	31 320 501
Engineering and Construction Industries – SIAC	30 755 032	17 169 204
Consolidated Suppliers	-	1 472 520
El Sewedy for Tools & Cables	6 408 400	4 339 877
Saudi company for Construction Industries	28 485 800	26 805 800
Ola for real estate development-KSA	4 516 034	4 516 034
United for Transformers limited- KSA	2 654 962	-
Shareholders current account	3 300 923	2 980 968
Others	27 096 379	19 780 144
	<u>195 780 004</u>	<u>163 193 948</u>

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

Subsidiaries and jointly controlled

The following are subsidiaries and jointly controlled entities owned by the company as at 30 June 2015:-

	Date of acquisition	Country	Nature of contribution	% of share
Egyptian Company For Advanced Industries	21-06-2005	Egypt	Direct	98.00
United Metals Co.	23-06-2005	Egypt	Direct	99.80
**Sedplast Co. (Under Liquidation)	25-08-2005	Egypt	Direct	99.90
*Egytech Cables Co.	25-12-2005	Egypt	Direct	99.98
United Industries Co.	25-12-2005	Egypt	Direct	99.98
Elastymould (subsidiary of Egyptian Company for Advanced Industries)	22-02-2006	Egypt	Indirect	49.60
El Sewedy for External cables Co.(previously el sewedy electric)	19-04-2006	Egypt	Direct	99.96
United Wires Co.	02-11-2006	Egypt	Direct	99.94
Egyplast Co.	24-12-2006	Egypt	Direct	99.97
El Sewedy Cables – Egypt	21-02-2007	Egypt	Direct	99.87
Elsewedy Transformer	30-04-2011	Egypt	Direct	99.87
**Red Sea Co. for Copper (Under Liquidation)	21-06-2007	Egypt	Direct/Indirect	74.00
Elsewedy Electric Co. For Transmission	21-10-2007	Egypt	Direct	99.97
Pyramids Industrial Urban Development	27-09-2007	Egypt	Direct/Indirect	50.00
El Sewedy Power (Electric High Voltage previously)	27-09-2007	Egypt	Direct	99.84
El Sewedy Sedco for Petroleum services	10-01-2008	Egypt	Direct	96.00
***Iskra Emco Energy Measurement – Misr	18-02-2008	Egypt	Indirect	99.12
***Iskra Emco Slovenia	1-1-2008	Solvenia	Indirect	99.70
Isolated industries	30-6-2008	Egypt	Direct/Indirect	74.83
Elsewedy Electric Co. For Trading and Distribution.	21-12-2008	Egypt	Direct/Indirect	99.8
Siag El Sewedy for Towers	17-08-2008	Egypt	Direct	99.00
El Sewedy for Wind Energy Generation	10-07-2008	Egypt	Direct	99.8
Power System Projects Company	31-12-2008	Egypt	Direct	75.00
**Desert Wind Company(Under Liquidation)	31-12-2008	Egypt	Direct	49.90
**Wind Blades Company(Under Liquidation)	31-03-2009	Egypt	Direct	99.60
El Sewedy Electric Contracting and Engineering – Zambia	31-03-2009	Zambia	Direct	49.90
El-Ola for development Industrial zone	30-9-2009	Egypt	Direct/ Indirect	50.00
El Sewedy Energy Distribution	31-12-2009	Sudan	Indirect	99.98
**International Company for Development Research Technology and Measurement Devices (R & D Tech.) . (Under Liquidation)	30-6-2010	Egypt	Direct	90.00
Rowad Engineering Co.	30-6-2010	Egypt	Indirect	65.00
Pyramids Zonafranca-Egypt	30-6-2010	Egypt	Indirect	47.5
Etalsamia for manufacturing electrical tools against explosion	30-6-2010	Egypt	Indirect	99.98
Arab Company for Constructions Management and Security Services.	12-10-2011	Egypt	Indirect	100
****Arab company for Electricity and Power Limited	7-12-2011	Yemen	Indirect	50
Double Energia	11-1-2011	Bulgaria	Indirect	87

EL Sewedy Electric company**Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015****Subsidiaries for El Sewedy for External Cables Co
(El Sewedy electric previously).**

El Sewedy Cables – Syria	28-02-2006	Syria	Indirect	96
Sudanese Egyptian for limited electrical industries	13-02-2006	Sudan	Indirect	70.00
**Giyad El Sewedy for Transport Limited.	13-02-2006	Sudan	Indirect	99.97
Giyad Cables Co.	13-02-2006	Sudan	Indirect	45.00
El Sewedy Electric Ghana Limited	10-02-2006	Ghana	Indirect	70
El Sewedy Cables – Qatar	20-04-2006	Qatar	Indirect	24.50
El Sewedy Cables – Algeria	03-10-2006	Algeria	Indirect	99.89
El Sewedy Electric – Syria	30-10-2006	Syria	Indirect	95.95
Senyar Holding	09-05-2008	Qatar	Indirect	50.00
El Sewedy Cables Arable Iraq	07-10-2007	Iraq	Indirect	50.00
Sedplast Co. – Syria	22-07-2007	Syria	Indirect	98.00
El Sewedy Cables Limited	24-12-2006	Saudi	Indirect	60.00
El Sewedy Cables Yemen	13-05-2007	Yemen	Indirect	80.76
**El Sewedy Cables Kuwait.(under Liquidation)	18-02-2008	Kuwait	Indirect	49.00
**El Sewedy Cables Malawy	13-05-2007	Malawi	Indirect	99.5
**Power Empire Co. China.	01-01-2008	China	Indirect	100
El Doha Cables- Qatar	09-05-2008	Qatar	Indirect	45.56
El Sewedy Electric Limited Zambia	31-03-2009	Zambia	Indirect	60.00
El Sewedy Electric Limited Nigeria	31-03-2009	Nigeria	Indirect	94.74
El Sewedy Cables Ethiopia	31-03-2009	Ethiopia	Indirect	95.00
Libya for Common Cables	30-9-2009	Lybia	Indirect	55.00
**El Sewedy Electric Transmission and Power Distribution.	31-12-2009	Algeria	Indirect	99.98
***Iskra Malta	31-12-2009	Malta	Direct /Indirect	99.99
Red Sea for copper – Egypt	31-12-2009	Egypt	Direct /Indirect	100
**M.A.S for Trading and Contracting. (Under Liquidation)	3-3-2010	Egypt	Indirect	60
United Co. For Electrical Industries	31-3-2010	Saudi	Indirect	60
Sweg - Malta	31-12-2009	Malta	Direct/ Indirect	99.95
3W Network – Emirates	30-6-2010	Emirates	Indirect	75
Elsewedy for trade Limited	31-3-2011	Syria	Indirect	96
Egyplus Energy PVT LTD- India	31-3-2011	India	Indirect	99.6
Elsewed electric Europe GmbH	13-5-2011	Germany	Indirect	100
National Extrution and manufacturing of metal	23-5-2013	Egypt	Direct	99.98

*From 1/1/2010 the Arab Cables Company was merged into Egytech Company.

**According to board of directors' decision at 28 May 2012, these companies are under liquidation till closing its commercial register.

*** The company has transferred its direct investment in Iskra Emco Energy Measurement – Misr and Iskra Emco Slovenia to become an investment under Iskra Malta. This transaction has been recorded according to the book value of these companies.

****According to board of directors' decision at 20 March 2012, these are under liquidation till closing its commercial register.

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

- On June 9, 2015 EL Sewedy Power Company – Subsidiary of El Sewedy Electric and El Sewdy Electric Company agreed to sell MTOI, a Spanish company (previously M. Torres) fully owned by both mentioned companies, for 1 Euro in addition to Euro 250K to be paid in November 2015. According to the agreement, MTOI will pay the credit balance due to EL Sewedy Power almost of Euro 4.6 million on an annual installments starting at November 2015 to November 2018 with interest of 2% over Eurobor. Both MTOI and the buyer are jointly liable for paying the credit balance according to the contract. There is no cash inflows on the transaction consolidated cash flow at 30 June 2015.

30. Tax status

El-sewedy Electric company is subject to Investment Guarantees and Incentives law No.8 for 1997 and its executive regulations and the rest of group companies are subject to taxes in Egypt or abroad. The companies enjoying tax exemption are as follow:

Subsidiaries in Egypt enjoying tax exemption from corporate income tax

	End of tax exemption
Egy Plast Co.	31/12/2017
United wires Company	31/12/2017
Elsewedy Cables – Egypt	17/05/2018
Sedco for electrical industries (Etalsamia previously)	31/12/2019

Subsidiaries outside Egypt enjoying tax exemption from corporate income tax

	End of tax exemption
EL Sewedy Cables Yemen	20/5/2016
El Sewedy Electric Limited – Zambia	31/3/2014
	and under exemption renewal

- As of 4 June 2014, the Presidential decree – law No.44 for the year 2014 was issued for a temporary annual additional tax to be imposed for three years from the tax period 2014 by percentage (5%) on the tax base that exceed one million Egyptian Pounds.
- As of 30 June 2014, the Presidential decree - law No.53 for the year 2014 was issued to the effect of including provisions to amend some articles of the income tax law that was issued by virtue of law No.91 for 2005. The following represents the most prominent amendments introduced to the said law :
 1. Imposing a tax on dividends.
 2. Imposing a tax on capital gain resulting from the sale of shares and securities
- As of 20 August 2015, the Presidential decree-law No (96) for the year 2015 was issued amending some articles of the tax law on income No (91) for the year 2005 and the decree No.44 for the year 2014 that imposed a temporary additional tax on income. This decree is effective from the day following its publication. The following are the most significant changes:

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

- 1- Reduction of the income tax rate to 22.5%.
- 2- Amending imposing the temporary additional tax of 5 % to be one year instead of 3 years.
- 3- Amending tax on dividends.
- 4- Freeze capital tax on the trade of listed securities for two years starting from 17/5/2015.

31. Intangible assets

	30/6/2015	31/12/2014
	L.E.	L.E.
Goodwill	12 204 789	12 204 789
Other intangible assets	41 698 767	40 770 223
	<u>53 903 556</u>	<u>52 975 012</u>

Goodwill resulted from an acquisition of a company which resulted in L.E 12.2 million at the acquisition date.

The group recorded an impairment amounted to L.E 28.4 million related to the Egyptian company for Insulators goodwill at 31 December 2014.

Intangible assets amortization amounted to L.E 6 042 022 for six months ended 30 June 2015.

32. Shares based payment

The general assembly dated 13 April 2008 decided to issue 200 000 shares with par value of L.E 10 each as employees share based payments according to the ministerial decree No 282 for 2005. The Extraordinary General assembly's dated 19 April 2010 and 26 April 2011 decided a shares dividend (3 shares for each 10 shares).

The employee right at each year end during the three years scheme to exercise part of the shares based payments were in the following rates:-

First year	20%
Second year	30%
Third year	50%

The fair value of the services rendered in return of the shares granted as at 31 December 2011 is as follows:

Number of shares granted as at 31 December 2008	126 000
Share dividends (3 for each 10)	52 383
Exercised up to 31 December 2011	(161 227)
Canceled shares to employees up to 31 December 2011	(17 156)
	<u>-</u>
Fair Market value at 31 December 2011	<u>4 227 700</u>

The granted options were fully exercised and there is a remaining balance of shares of 142 216 available for share based payments that belongs to the system.

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

33. Leased assets

The company sold some of its fixed assets to the International Company for Capital Lease (Incolease) by virtue of an initial contract of USD \$ 32 283 318 equivalent to L.E 181 990 960 that represent the net book value for these assets. The company leased back these assets by virtue of capital lease contract of USD \$ 36 010 100 to be paid over 20 quarterly installments during the period of USD \$ 1 800 505 each. The lease contract contains a bargain option to purchase the leased assets at a purchase bargain option of L.E 4 at the end of each contract or at the end of each year from the date of the lease. A deferred capital gain of L.E 5 363 286 resulted from sale of these fixed assets, which is amortized over the lease contract period.

34. Earnings per share

	from 1/4/2015 to 30/6/2015 <u>L.E</u>	from 1/1/2015 to 30/6/2015 <u>L.E</u>	from 1/4/2014 to 30/6/2014 <u>L.E</u>	from 1/1/2014 to 30/6/2014 <u>L.E</u>
Profits attributable to the ordinary shareholders	438 539 629	677 764 332	109 953 269	215 034 749
Issued and paid capital	223 418 000	223 418 000	223 418 000	223 418 000
Own shares	(142 216)	(142 216)	(142 216)	(142 216)
Weighted average number of shares	<u>223 275 784</u>	<u>223 275 784</u>	<u>223 275 784</u>	<u>223 275 784</u>

35. Financial instruments and the related risks

The main risks related to the company activities are:

- Credit risk
- Liquidity risk
- Market risk

The Company risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company activities. The Company through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company does not use derivative financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and cause the other party to incur financial loss. This risk arises from the receivable and debtors.

	(L.E million)	
	30/6/2015	31/12/2014
Receivable, debtors and due from related parties	9 818	5 686
Cash and investments	3 094	1 598
Total	<u>12 912</u>	<u>7 284</u>

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

Receivable aging

	(L.E million)	
	30/6/2015	31/12/2014
Not due	1 525	968
Due for 30 days.	1 415	848
Due for 31 to 120 days	2 730	1 607
Due for 121 to 180 days	1 808	590
Due for more than 180 days	524	991
Others	1 781	792
	9 783	5 796

-Trade, notes and other receivables are recorded after deducting impairment losses of L.E 471 million at 30 June 2015. (L.E 469 million at 31 Dec 2014) .

Liquidity risk

Payments to suppliers and creditors are due within a period of 90 days from receipt of goods or services.

	(L.E Thousand)			
	Less than 6 month <u>L.E</u>	6 - 12 month <u>L.E</u>	Other <u>L.E</u>	More than one year <u>L.E</u>
Creditors and due to related parties	3 723 551	3 095 461	550 598	36 776
Due to banks	3 000 249	1 619 643	467 504	229 289

Foreign currency risk

The following are the balances of monetary assets and liabilities in foreign currencies as of 30 June 2015:

	30 June 2015			31 December 2014		
	USD \$	Euro	GBP	USD \$	Euro	GBP
Financial assets	868 013	65 930	4 219	923 046	96 426	9 928
Financial liabilities	402 270	59 410	2 368	469 300	114 090	2 138

The following are the significant foreign currency exchange rates during the period:

	Closing rates		Average rates	
	30/6/2015	31/12/2014	Six months ended 30/6/2015	Six months ended 30/6/2014
USD \$	7.63	7.18	7.56	7.133
Euro	8.50	8.69	8.48	9.793

EL Sewedy Electric company

Notes to the consolidated financial statements for the financial period from 1 January 2015 to 30 June 2015

Interest rate risk

The following are the group interest bearing financial instruments:

	(L.E. million)	
	Net book value	
	30/6/2015	31/12/2014
<u>Fixed interest rates</u>		
Financial assets	1 115	686
Financial liabilities	(1 237)	(1 180)
	<u>(122)</u>	<u>(494)</u>
<u>Variable interest rates</u>		
Financial assets	1 954	907
Financial liabilities	(3 857)	(3 228)
	<u>(1 903)</u>	<u>(2 321)</u>

The average interest rates are as follows:

	L.E	EURO	USD
Financial assets	10	2	1.75
Financial liabilities	10.75	2.5	2.75